

MINUTES

North Dakota Public Employees Retirement System

WSI Conference Room, Bismarck and Fargo

Friday, September 19, 2014

8:30 A.M.

Members Present: Ms. Casey Goodhouse
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Kim Wassim
Mr. Thomas Trenbeath

Via Videoconference: Chairman Strinden

Member Absent: Ms. Yvonne Smith

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Kevin Schoenborn, BCBSND
Mr. Doug Anderson, Gallagher Benefit Services

Via Teleconference: Mr. Patrick Pechacek, Deloitte
Mr. Josh Johnson, Deloitte
Mr. Mike Carlson, BCBSND
PERS Member

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Sonja Nyhof, BCBSND
Ms. Stacy Duncan, BCBSND
Mr. Jim Wynstra, BCBSND
Mr. Brent Solseng, BCBSND

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the August 21, 2014 Board meeting.

MS. A. SMITH MOVED APPROVAL OF THE AUGUST 21, 2014 BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM. THE MINUTES WERE APPROVED.

PRESENTATIONS

Gallagher Valuation Update

Mr. Collins introduced Mr. Doug Anderson with Gallagher Benefit Services who was selected by the Government Finance Committee to conduct an actuarial review of the PERS plan and Segal valuation. In addition, Gallagher completed a report on the impact on closing the PERS plan at which time Segal projected what the potential costs would be and to double check the projections.

Mr. Anderson reviewed the NDPERS valuation review and the plan design study summary of findings.

Concerning the valuation review, he explained that the process involved looking at the participant data, reviewing assumptions, building the full replication out of the 2013 actuarial valuation, plan closure study audit findings, and investment return sensitivity analysis. Mr. Anderson summarized the results comparing the Segal and Gallagher valuations and noted that they were able to very closely match the Segal valuation.

Concerning the plan design study (costs of closing the plan) Gallagher noted that they were not able to fully match the results of Segal. Upon review, they noted that Segal has changed the assumptions in the output data which resulted in a lower cost than they projected. They also noted that this change occurred without being disclosed in the projection results.

The Board had questions relating to the Gallagher study and Segal's findings. Mr. Collins indicated that Segal will be at the October meeting to review their actuarial reports with the Board.

BCBS Quarterly Executive Summary

Mr. Schoenborn began the review of the summary report for the second quarter of 2014 with the Board and explained that BCBSND staff was available to review the report in detail and answer any questions.

Ms. Crouse, BCBSND, reviewed financial information including biennium comparison and the quarterly trend analysis paid through June 30, 2014. The twelve month moving average annual trend for actives is 5.5% and for Medicare retirees is -.1%. She also

reviewed the following with the Board: quarterly trend analysis for actives and Medicare retirees, membership demographics, claims paid per member per month trend and paid by claims type, and high dollar cases for actives and early retirees.

Ms. Crouse, BCBSND, also reviewed the pharmacy management program with the Board including information relating to generic utilization rate, quarterly drug spending and payment trend, and a comparison of percentage of specialty claims and specialty dollars showing that specialty spend continues to increase.

Ms. Crouse, BCBSND, reviewed health management, including information on the MediQHome outcome measures, AccordantCare participation (rare and complex disease management), preventive cancer screening information and the tobacco cessation program information.

Ms. Duncan, BCBSND, presented wellness program information to the Board which included information on the HealthyBlue, Health Club Credit programs, member engagement and wellness specialist efforts.

Mr. Schoenborn, BCBSND, then reviewed the performance standards and guarantees as well as ongoing activities with the Board.

The Board and staff discussed this report with BCBS staff and questions were answered.

Silver Sneakers Program

Mr. Collins indicated that BCBS will be sharing information on the Silver Sneakers program and a member would like to share their thoughts about the Silver Sneakers Program with the Board. Mr. Collins reported that this program is available to the retirees in other plans, but it is not offered by NDPERS at this time.

The PERS member indicated to the Board that he felt this program should be a part of the PERS retiree plan. He noted that other BCBS members did have access to the program and he felt that it was an extremely beneficial wellness benefit. He encouraged the Board to consider adding this important program to the plan. Mr. Carlson, BCBSND, presented information on the Silver Sneakers Program and indicated that this could be available to the NDPERS Medicare retiree population should the Board elect to include this in the next biennium. All BCBS Medicare supplement policies have had access to this program since November of 2012, but at this time there has not been any employer group that has elected this program. There are 8,183 NDPERS Medicare retiree members and if this program was applied, 9.2% will enroll, with an average of 7.7 visits per month. There is a per visit fee of \$5.00/visit which would need to be paid by the plan. For example, if a retiree utilizes the program 30 times, it would cost \$150 for that month. Additionally, there is a baseline per member per month of \$1.50. In calculating the monthly cost of \$26,451, it would be approximately \$317,418 per year. Mr. Carlson compared this to the Health Club Credit program which in 2013 cost \$94,612, so the Silver Sneakers Program is significantly higher.

Mr. Collins indicated that PERS would be able to do a survey of the retiree membership to see if they would like to add this program and inform them there will be an additional premium cost to add the Silver Sneakers Program. The Board concurred.

RETIREMENT

Actuarial Audit

Mr. Collins indicated that PERS policy is to conduct an actuarial audit approximately every ten years and we are due to go out to bid next year. The purpose of this audit is to have an outside actuarial firm review the work of the existing actuary (Segal) to verify the integrity of the valuation. Mr. Collins indicated that the work done by Gallagher for the legislature is an actuarial audit and may qualify as such under PERS policy. Mr. Anderson, Gallagher Benefit Services, reported that their review could be considered an actuarial audit since it was a full replication audit. He further indicated that nothing different would be done in order to qualify their analysis as a PERS actuarial audit. Mr. Collins indicated that Segal will be at the Board meeting in October and we may want to discuss this with them as well. If it is concluded that the Gallagher review would meet PERS policy requirement for an actuarial review, then we would not have to contract for these services. The Board concurred.

DC 401(a) Reporting

Mr. Reinhardt provided a current summary of the defined contribution (401a) plan enrollments for August 2014. There are currently 224 active members enrolled in this plan. Since the defined contribution plan became open to all new hires in October 2013, only 22 members have made the election.

GROUP INSURANCE

Medicare Blue Rx Rate Renewal

Mr. Collins indicated that at the last meeting this renewal was reviewed and there were additional questions of BCBS. BCBS is proposing a 35.7% increase for the year beginning January 1, 2015. Mr. Wynstra reviewed the responses with the Board and their proposal did not change. Deloitte reviewed their findings with the Board.

The Board discussed options with staff and it was determined that there was not much time to go out to bid or to explore other options. Mr. Collins advised the Board that next year, when the retiree health insurance credit becomes portable, we may decide to get out of this business completely or explore other options. Mr. Schoenborn, BCBS, indicated that action must be taken now in order to comply with federal CMS. The Board discussed this rate renewal in detail, making sure the decision would have the least negative impact on the members.

MS. WASSIM MOVED TO RELUCTANTLY ACCEPT THE BCBS MEDICARE BLUE RX RATE INCREASE EFFECTIVE JANUARY 1, 2015, TO COMMUNICATE INFORMATION ON THE RATE INCREASE TO THE MEMBERS AFFECTED, AND THAT NDPERS IS TO FURTHER EVALUATE WHETHER TO STAY IN THIS MARKET. THE MOTION WAS RELUCTANTLY SECONDED BY MR. TRENBEATH.

There was a question on the motion.

Ayes: Ms. A. Smith, Ms. Goodhouse, Ms. Wassim, and Chairman Strinden

Nays: Mr. Sandal and Mr. Trenbeath

Absent: Ms. Y. Smith

MOTION PASSED

Health Insurance Bid Update

Mr. Collins indicated that Deloitte will be available to update the Board on the bids that were received on the fully insured group health insurance plan.

MR. SANDAL MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.1(9) and 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden

Nays: None

Absent: Ms. Y. Smith

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:00 p.m.

The Board reconvened and returned to open session at 12:20 p.m.

2013 Active Health Report

Mr. Reinhardt reviewed this report with the Board, indicating that costs and trends are increasing slightly. An agency report is developed and sent to all 43 large employers on the plan with over 100 employees.

Wellness Renewal and Lt. Governor's Award

Ms. Fricke updated the Board on the renewal of the Employer Based Wellness Program for the plan year July 1, 2014 to June 30, 2015. Currently, 192 out of 269 (71%) employers elect to participate in the wellness program. There are about 97% of

employees covered on the insurance plan who are working for employers offering wellness programs.

Ms. Duncan, BCBSND, explained that the Healthy North Dakota Worksite Wellness Lt. Governor's Award was created to recognize PERS agencies that demonstrate a commitment to creating a healthy worksite. Applications were received from 34 agencies and the following was awarded: 17 Bronze, 6 Silver and 1 Gold. Award winners were notified and they will be announced at the 5th Annual Worksite Wellness Summit in Fargo on October 6, 2014.

Ms. Fricke informed the Board that as part of State Employee Recognition Week, NDPERS sponsored the wellness and benefits fair. There were 25 vendors that participated. Some offered presentations throughout the day, others did various screenings and checkups, and had informational booths. All insurance providers and ADP were in attendance.

FLEX COMP

Other Employer-Sponsored Voluntary Insurance Products

Ms. Allen reported that the annual review of the vendors for the voluntary insurance products approved for pretax premiums was conducted. All current vendors responded, and no new products were proposed by any of the participating companies, therefore, the eligible products for all vendors will remain the same.

MS. WASSIM MOVED APPROVAL OF THE VENDORS FOR OTHER EMPLOYER-SPONSORED VOLUNTARY INSURANCE PRODUCTS FOR PRETAX BENEFITS FOR THE 2015 PLAN YEAR. THE MOTION WAS SECONDED BY MR. SANDAL.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Wassim, Mr. Trenbeath, and Chairman Strinden

Nays: None

Absent: Ms. Y Smith

MOTION PASSED

MISCELLANEOUS

The approved May 21, 2014 PERS Audit Committee minutes were shared with the Board.

Mr. Collins reported that PERS will be piloting a mid career retirement seminar. Ms. Allen indicated the educational program will be a half-day session and will be conducted on October 8. The pilot group is comprised of human resources and payroll staff, and PERS has asked them to bring two other employees. The main goal is to obtain feedback from the attendees to determine any changes necessary for this new educational seminar.

Mr. Collins gave two brochures to the Board relating to the PERSLink Member Self Service portal which will be distributed to active members and retired members.

Mr. Collins reported that he gave testimony on the proposed defined contribution legislation to the Government Finance Committee for their review. Staff will be meeting with Legislative Council staff on the specific technical comments on the bill.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:25 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board